

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 IO-13 ISO-00 L-03  
FRB-03 OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05  
CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 OIC-02  
SIL-01 STR-07 TRSE-00 CEA-01 SS-15 CTME-00 /120 W  
-----106299 151912Z /50

R 151812Z MAY 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 6140  
INFO AMEMBASSY MEXICO  
AMEMBASSY BRASILIA  
AMEMBASSY BOGOTA  
AMEMBASSY ABIDJAN  
AMEMBASSY YAOUNDE  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY BONN  
AMCONSUL HAMBURG  
AMCONSUL BREMEN  
AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO  
AMEMBASSY BRUSSELS  
AMEMBASSY PARIS  
USMISSION GENEVA

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USEEC  
USOECD

E.O. 11652: N/A  
TAGS: EPAP, ETRD, ICO  
SUBJECT: COFFEE -- EXECUTIVE BOARD MEETING OF MAY 9-10

1. THE EXECUTIVE BOARD OF THE INTERNATIONAL COFFEE  
ORGANIZATION (ICO) MET MAY 9-10. ROUTINE BUSINESS  
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APPROVED INCLUDED VOTING STRENGTH IN THE COUNCIL AND  
BOARD, NOTATION OF DOCUMENTS ON THE RETAIL PRICE OF  
COFFEE (EB 1614/78) AND THE PRICES PAID TO GROWERS (EB  
1615/78), FACILITIES FOR INTERNATIONAL COMMODITY ORGANI-  
ZATIONS AND STUDY GROUPS IN LONDON (ED 896/78), AND  
RELEASE OF INFORMATION TO THE PRESS.

2. INDICATOR PRICES. WORKING PAPER 197 ON COMPARISONS BETWEEN THE ICO INDICATOR PRICE AND OTHER MARKET PRICES RESULTED IN A LENGTHY DISCUSSION. EXECUTIVE DIRECTOR BELTRAO NOTED THAT THESE STUDIES SUGGEST THAT IT WOULD BE USEFUL TO BROADEN THE BASE FOR COLLECTION OF ICO INDICATOR PRICE DATA AND THAT SOME ANALYSIS HAS ALREADY BEEN DONE; HOWEVER, HE WANTED FURTHER INFORMATION ON WHAT STUDIES MAY BE NECESSARY BEFORE A DECISION IS TAKEN. HE REQUESTED BOARD REACTIONS TO THE POSSIBILITY OF A PARALLEL INDICATOR PRICE FOR COMPARISON AS WELL AS THE POTENTIAL USE OF FUTURES PRICES FOR THE SYSTEM. COLOMBIA, BRAZIL AND MEXICO CALLED FOR AN IMMEDIATE DECISION TO INCLUDE PRICES FROM OTHER MARKETS (HAMBURG-BREMEN AND OTHERS) IN THE ICO INDICATOR PRICE; THE INDICATOR IS NOW BASED SOLELY ON THE NEW YORK MARKET. MEXICO WAS PRIMARILY CONCERNED ABOUT THE THINNESS OF THE ROBUSTA MARKET WHICH IS PRIMARILY BASED ON UGANDAN COFFEES, FOR WHICH THE SUPPLY, ACCORDING TO MEXICO, IS UNCERTAIN. THE OAMCAF DELEGATE PRESSED FOR THE INCLUSION OF IVORY COAST AND CAMEROON PRICES, JOINING THE THREE LATIN AMERICAN PRODUCERS IN A CALL FOR REVISION. THE FEDERAL REPUBLIC DELEGATE SAID HIS GOVERNMENT WAS PREPARED TO COOPERATE TO CARRY OUT A GOOD SYSTEM, PARTICULARLY FOR THE LONG TERM IMPROVEMENT OF THE OTHER MILDS INDICATOR. HE SAID THE FRG IS WILLING TO GO ALONG WITH THE EXPORTER WISH TO INCLUDE THE BREMEN-HAMBURG MARKET IN THE INDICATOR BUT GENERALLY LIMITED OFFICIAL USE

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TAKES A NEUTRAL ATTITUDE ON THE WHOLE QUESTION OF CHANGES IN BASES FOR THE INDICATOR PRICE.

3. DESPITE STRONG PRESSURE FROM THE COLOMBIAN DELEGATION, THE CHAIR AND THE EXECUTIVE DIRECTOR NOTED THAT MANY PROBLEMS WERE STILL UNSOLVED IN CHANGING THE INDICATOR PRICE SYSTEM; SO THEY CAUTIONED AGAINST PRECIPITOUS ACTION. THE U.S. DELEGATE WAS THE ONLY IMPORTER IN THE ROOM SPEAKING AGAINST AN EARLY DECISION ON THE MATTER, NOTING THE NEED FOR FURTHER STUDIES BEFORE A PARALLEL SYSTEM SHOULD BE DEVELOPED, INCLUDING CONSULTATIONS WITH THE DUTCH AND ITALIAN TRADES. HE INSISTED ON FURTHER SCRUTINY BEFORE ANY ACTIONS ARE TAKEN. U.S. DEL ALSO NOTED THE NEED TO STUDY THE ROBUSTA QUESTION IN VIEW OF THE COMMENTS MADE BY MEXICO, AND POINTED OUT THAT TWO ICO INDICATORS ALREADY EXIST, AND THAT FROM AN ANALYTICAL POINT OF VIEW, AN UNBROKEN, CONSISTENT SERIES OF STATISTICS IS A VERY IMPORTANT FACTOR IN DOING MARKET STUDIES. U.S. DEL FURTHER NOTED MANY COUNTRIES NOW SELL COFFEE BASED ON THE ICO INDICATOR, THAT THERE ARE MANY MARKET INFLUENCES WHICH WERE NOT PREVIOUSLY INVOLVED IN FUTURES AND ACTUALS MARKETS,

INCLUDING MAJOR PRODUCING COUNTRIES, AND THAT THE COFFEE WORLD WOULD BE FURTHER CONFUSED BY THE INTRODUCTION OF MORE INDICATORS. FURTHER CONSULTATIONS WOULD CLEARLY BE NECESSARY BEFORE THE U.S. COULD ACQUIESCE TO ANY PARALLEL SYSTEM OR OTHER CHANGES IN THE INDICATOR SYSTEM. A COMPLETE COSTING OUT OF ANY MORE PRICE COLLECTION UNDERTAKEN BY THE SECRETARIAT WAS ALSO REQUESTED BY THE U.S. DEL. THE NETHERLANDS DELEGATE THEN NOTED THE ROTTERDAM MARKET

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-----106386 151912Z /50

R 151812Z MAY 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 6141  
INFO AMEMBASSY MEXICO  
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IS OF SMALL VOLUME AND HIS GOVERNMENT IS ENTIRELY DEPENDENT UPON THE COFFEE TRADE FOR INFORMATION ON THAT MARKET.

4. THE DEBATE ON THE INDICATOR PRICE WAS FINALLY  
DIFFUSED BY EXECUTIVE DIRECTOR BELTRAO WHEN HE MADE THE  
FOLLOWING POINTS:

-- THE EXECUTIVE DIRECTOR COULD NOT DO ANYTHING ALONE;  
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-- THIS IS A MATTER FOR THE COUNCIL WHICH MIGHT BE DELE-  
GATED TO THE EXECUTIVE BOARD;  
-- ARTICLE 33 EXCLUDES THE RIGHT FROM THE EXECUTIVE  
DIRECTOR TO CHANGE THE BASES OF THE INDICATOR PRICE;  
-- THE BASES FOR THE CURRENT INDICATOR IS CLEARLY  
ESTABLISHED;  
-- INFORMATION MAY NOT BE AVAILABLE;  
-- THERE IS A PROBLEM OF CONTINUITY;  
-- THE WHOLE QUESTION OF QUOTA INTRODUCTION BECOMES  
INVOLVED IN THIS DEBATE;  
-- UNLESS CLEAR GUIDANCE IS GIVEN BY THE EXECUTIVE BOARD,  
IT IS IMPOSSIBLE TO TAKE A CLEAR DECISION ON A PARALLEL  
INDICATOR PRICE;  
-- COOPERATION IS NEEDED FOR THE COFFEE TRADE;  
-- THE EXECUTIVE DIRECTOR WILL WORK ON THE QUESTION WITH  
REGARD TO THE COFFEE MARKETS IN THE FRG, FRANCE, ITALY,  
THE NETHERLANDS AND ROBUSTA MARKETS IN GENERAL.

5. CERTIFICATES OF ORIGIN. THE LATEST STATISTICS ON  
THE SYSTEM OF CERTIFICATES OF ORIGIN INDICATES THE  
UNITED STATES IS DOING VERY WELL, BUT ITALY, THE NETHER-  
LANDS AND DENMARK ARE DOING VERY POORLY. SOME CONCERN  
WAS EXPRESSED FOR THE LEGAL AUTHORITY OF SOME IMPORTERS  
(U.S.) TO RESTRICT IMPORTS WHEN QUOTAS ARE INTRODUCED.  
THE QUESTION OF THE EEC OR INDIVIDUAL EEC MEMBERS OPERA-  
TING THE SYSTEM WAS AGAIN RAISED, WITH THE NOW TRADITION-  
AL DEBATE BETWEEN COLOMBIA AND MEXICO AND EEC COUNTRY  
DELEGATIONS. EXECUTIVE DIRECTOR BELTRAO CLAIMED THE  
WORKING GROUP T CERTIFICATES OF ORIGIN MADE SUBSTANTIAL  
PROGRESS AT ITS LAST MEETING.

6. COUNTRY STUDIES. STUDIES ON TANZANIA AND THE IVORY  
COAST WERE INTRODUCED AS WORKING PAPERS. THE DEBATE ON  
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THESE TWO PAPERS LASTED SEVERAL HOURS, PITTING THE  
SECRETARIATW THE IHAIWNQ THE UWHQSWHQ#AND THE FRG AGAINST  
COLTHZIA#AND OAMCAF. THE HAAT#POINT OF CONTENTION WAS  
PLACING A TARGET TIME LIMIT FOR COMMENTS ON ALL SUCH  
REPORTS AFTER THEIR PUBLICATION AS WORKING PAPERS. THE

EXECUTIVE DIRECTOR PROPOSED 90 DAYS, AT WHICH POINT THE PAPER WOULD BECOME AN EXECUTIVE BOARD DOCUMENT. OAMCAF AND MEXICO STRONGLY OBJECTED TO THIS, CLAIMING THERE SHOULD NOT BE A TIME LIMIT AND SUGGESTING PERHAPS THE WHOLE EXERCISE WAS A WASTE OF TIME AND MONEY IN VIEW OF THE LACK OF ANY REPORTS ON THE DEMAND SIDE. OAMCAF DID NOTE ITS PLEASURE ON THE THOROUGHNESS OF THE IVORY COAST STUDY AND THE FACT THAT IT WOULD LEAD TO A DEEPENING OF ANALYSIS OF THE COFFEE SECTOR WITHIN THE IVORY COAST. UNFORTUNATELY THE FRG DEL STRESSED THE COSTS INVOLVED IN UNDERTAKING THE STUDIES, WHICH REINFORCED THE COLOMBIAN POSITION ON QUESTIONING THE NEED FOR THE STUDIES AT ALL. EXECUTIVE DIRECTOR BELTRAO REPORTED THAT HE IS GETTING GOOD COOPERATION ON MOST ELEMENTS EXCEPT FUTURE PLANTING AND PRODUCTION ESTIMATES AND DID NOT SEE THE 90 DAY LIMIT AS ANY BLOCK TO COUNTRIES WANTING TO MAKE SUBSTANTIVE COMMENTS. U.S. DEL STRONGLY REITERATED OUR POSITION THAT THE STUDIES MUST BE PRODUCED AND RELEASED AS SOON AS POSSIBLE, WITH A COMPLETE REPORT FROM THE EXECUTIVE DIRECTOR ON THE PROJECT AT THE SEPTEMBER COFFEE COUNCIL. THIS WAS REINFORCED BY INTERVENTIONS BY THE FRG DELEGATE. HE ALSO SUGGESTED THE NEED FOR A MORE COMPREHENSIVE MODEL OF THE WORLD COFFEE ECONOMY THROUGH AN INDEPENDENT STUDY WHICH WOULD INCORPORATE THE COUNTRY DOCUMENTS. MEXICO PROVIDED GENERAL SUPPORT OF THE U.S., INCLUDING THE URGENCY OF GETTING THE STUDIES OUT AS PART OF A FIRMER PRODUCTION POLICY. COMMENT ON THE IVORY COAST AND TANZANIA STUDIES WILL BE DEFERRED UNTIL THE NEXT EXECUTIVE BOARD. KEEPING IN MIND THE 90 DAY TARGET, THE SECRETARIAT WAS ASKED TO PROCEED AS FAST AS POSSIBLE ON DEMAND STUDIES. STUDIES ARE EXPECTED SOON ON THE LIMITED OFFICIAL USE

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CAMEROONS AND GUATEMALA, AS WELL AS BRAZIL, COLOMBIA, MEXICO AND INDIA. SEVERAL OF THESE STUDIES SHOULD BE READY BEFORE THE END OF JUNE.

7. MEETINGS SCHEDULE. THE EXECUTIVE BOARD SET JUNE 19-21 FOR THE WORKING GROUP ON CERTIFICATES OF ORIGIN AND JUNE 22-23 FOR THE EXECUTIVE BOARD TO ASSESS THE WORK OF THE GROUP. THE WEEK OF JUNE 26-30 WAS HELD OPEN FOR

NOTE BY OC/T: #AS RECEIVED; CORRECTION TO FOLLOW.

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R 151812Z MAY 78  
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MEETINGS ON ARTICLES 33 AND/OR 51 IF A MEMBER OR GROUP  
OF MEMBERS SHOULD REQUEST SUCH MEETINGS, PROVIDED THE  
REQUEST IS MADE BEFORE JUNE 2ND, 1978. IN THE ABSENCE  
OF SUCH A REQUEST, NO MEETINGS WILL BE HELD DURING THAT  
SECOND WEEK.

8. FINANCE. THE BOARD APPROVED THE REPORT OF THE  
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FINANCE COMMITTEE WHICH HAD COVERED ITS ROUTINE AGENDA  
WITHOUT GREAT DIFFICULTY. IT APPROVED SALARY SCALES AND  
ALLOWANCES FOR GENERAL SERVICE EMPLOYEES AND ADOPTED AN  
EDUCATIONAL ALLOWANCE AS PART OF AMENDMENTS TO STAFF

REGULATIONS AND STAFF RULES. THE EDUCATIONAL ALLOWANCE FOR CHILDREN OF EMPLOYEES RECRUITED OUTSIDE OF THE UNITED KINGDOM PUTS THE COFFEE ORGANIZATION IN CONFORMITY WITH OTHER INTERNATIONAL COMMODITY ORGANIZATIONS BASED IN LONDON AS WELL AS IMCO. NO DECISIONS WERE TAKEN ON THE SECRETARIAT PROPOSAL TO INSTITUTE A REPATRIATION GRANT AND TERMINATION INDEMNITY FOR INTERNATIONALLY RECRUITED PROFESSIONAL STAFF. THESE ITEMS WILL BE CONSIDERED IN THE FUTURE AFTER FURTHER STUDY. LIKEWISE THE SECRETARIAT PROPOSAL FOR A HEALTH INSURANCE SCHEME IN CASE OF LONG TERM ILLNESS WAS PUT OFF FOR FURTHER DISCUSSION. NO ONE AT THE FINANCE COMMITTEE MEETING WAS WILLING TO EXPOSE THE ORGANIZATION TO INCREASED COSTS FOR REPATRIATION, TERMINATION OR PROLONGED ILLNESS HEALTH INSURANCE.

9. FOR MEXICO CITY: UNDER OTHER BUSINESS, IT WAS NOTED THE MEXICAN DELEGATE, MR. ANGEL GURRIA, CURRENTLY THE MEXICAN COFFEE INSTITUTE REPRESENTATIVE IN LONDON, IS BEING TRANSFERRED BACK TO MEXICO AS UNDER SECRETARY OF THE PUBLIC DEBT. HE IS A HIGHLY COMPETENT YOUNG MAN WHO UNABASHEDLY POINTS OUT HIS POLITICAL ASPIRATIONS. MR. GURRIA HAS PROVEN AN EXTREMELY VALUABLE CONTACT FOR EMBASSY COMMODITIES OFFICERS THROUGH HIS KNOWLEDGE, WILLINGNESS TO DISCUSS MEXICAN POSITIONS AND GENERAL FORTHCOMING ATTITUDE ON THE SUBSTANCE OF ALL ISSUES RAISED BY UNITED STATES REPS. HE APPEARS VERY FAVORABLY DISPOSED TO THE U.S. IN GENERAL. HE ATTENDED AMERICAN SCHOOLS IN MEXICO AND ATTENDED UNIVERSITY IN THE U.K.

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HIS ENGLISH IS FLUENT. HE IS RECOMMENDED AS AN EASILY ACCESSIBLE CONTACT. BREWSTER

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## Message Attributes

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**Draft Date:** 15 may 1978  
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**Subject:** COFFEE -- EXECUTIVE BOARD MEETING OF MAY 9-10  
**TAGS:** EPAP, ETRD, ICO  
**To:** STATE USEEC  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/75871c9f-c288-dd11-92da-001cc4696bcc  
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